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FISCAL IMPACT STATEMENT

LS 7435

BILL NUMBER: HB 1568

NOTE PREPARED: Feb 25, 2005

BILL AMENDED: Feb 24, 2005

SUBJECT: Hearings on appeals of budgets, rates, and levies.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill requires the Department of Local Government Finance (DLGF) to publish notice and hold a hearing on an objecting petition concerning budgets, rates, and levies filed by taxpayers. It eliminates the limitation against filing such a petition unless a certain percentage of petitioners also objected locally. It allows a taxpayer that owns property that represents at least 10% of the taxable assessed valuation (AV) in a political subdivision to appeal from the county board of tax adjustment's action on the political subdivision's budget. It requires the DLGF to provide written notice of the hearing on an appeal from the county board of tax adjustment's action to the taxpayers who initiated the appeal. It requires the DLGF to certify its action after a hearing on a political subdivision's budget, rate, and levy to the taxpayers that had appealed from the county board of tax adjustment's action and to a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision. It allows a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision to petition for judicial review of the DLGF's final determination. It prohibits the DLGF from holding a hearing on local budgets, rates, and levies if an informational notice is not published by the county auditor at least ten days before the date of the hearing. It defines maintenance for purposes of the property tax exemption that applies to property used for maintenance of commercial passenger aircraft.

Effective Date: (Amended) January 1, 2005 (RETROACTIVE); July 1, 2005.

Explanation of State Expenditures: *Local Objections to Budgets, Rates, or Levies, and Appeals to the DLGF.* Under existing law, 10 or more taxpayers may object to a budget, tax rate, or tax levy of a political subdivision by filing an objection petition with the political subdivision not more than 7 days after the hearing before the adoption of the budget. If a petition is filed, the fiscal body of the political subdivision must adopt

with its budget a finding concerning the objections in the petition and any testimony presented at the adoption hearing. The budget is then sent to the county board of tax adjustment to determine if the maximum aggregate tax rate permitted is not exceeded. As soon as the budgets, tax rates, and tax levies are approved or modified by the county board of tax adjustment, the county auditor must within 15 days prepare a notice of the tax rates to be charged on each \$100 of AV for the various funds in each taxing district. The notice must also inform the taxpayers of the manner in which they may appeal the county's action.

Appeal to the DLGF. Also, under existing law, if the fiscal body of the subdivision and the county did not change the budget and levy in response to the taxpayers petition, a group of 10 or more taxpayers may not initiate an appeal to the DLGF against provisions of the budget and tax levy if less than 75% of the taxpayers on the petition to the DLGF were on the original petition to the local subdivision.

The proposal eliminates the limitation against filing a petition unless a certain percentage of petitioners also objected locally. It also allows a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision to appeal to the DLGF.

It also provides that in the case of a petition to the DLGF, the DLGF must give at least a five-day notice to the first 10 taxpayers whose names appear on the petition of the date, time, and location of the hearing on the objection. The DLGF must also give notice if only one taxpayer appeals if the taxpayer owns at least 10% of the AV. After the hearing, the DLGF must consider the testimony and evidence submitted at the hearing, certify its actions, and mail a written determination and statement of findings to the first 10 taxpayers whose names appear on the petition or one taxpayer if the taxpayer owns at least 10% of the AV appeals.

The DLGF may hold the hearing in response to a petition in conjunction with the DLGF's annual hearing of the budget conducted in the county. The bill also provides that the DLGF may hold a local budget hearing only if a notice of the hearing is published by the county auditor at least 10 days before the date of the hearing.

The above provisions could result in more petitions being filed with the DLGF with a consequent increase in administrative costs to the DLGF; however, it is presumed that the DLGF will be able to absorb any additional expenses given its existing budget and resources.

Judicial Review. The bill provides that the first ten taxpayers on the petition or a taxpayer that owns property that represents at least 10% of the taxable AV in a political subdivision may petition for judicial review of the DLGF's final determination. This provision may result in more petitions. However, the Indiana Tax Court should be able to absorb any additional expenses given its existing budget.

PTRC and Homestead Credits. If local levies change as a result of the bill, state payments for PTRC and state homestead credits could also change. The impact, if any, is indeterminable.

Explanation of State Revenues: (Revised) *Aircraft Maintenance.* The bill defines maintenance for purposes of the property tax exemption that applies to property used for maintenance of commercial passenger aircraft. The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for exemptions would change the amount received from this tax.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *Local Budgets.* Consideration of additional petitions on local

budgets could result in a change in local levies. If local levies change, the amount of local county option income tax revenue that is used for local homestead credits could also change. The overall impact, however, is indeterminable.

Aircraft Maintenance. The bill defines maintenance for purposes of the property tax exemption that applies to property used for maintenance of commercial passenger aircraft. This provision could change the amount of exempt assessed value (AV). Exemptions from property taxes shift the property tax burden from the owner of the exempt property to all taxpayers. Local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the exemption amount applicable to that fund. The AV that would be exempt as a result of the proposal is indeterminable. Consequently, the impact is indeterminable.

State Agencies Affected: DLGF.

Local Agencies Affected: All.

Information Sources:

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